

THE LEONARD LETTER

A weekly electronic newsletter

Bill Leonard, Member

State Board of Equalization

March 15, 2004

*"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."
President Ronald Reagan*

UNDER THE DOME

*****Jobs Held Hostage: Action on Workers' Comp Reform*****

It is Day 15 of Jobs Held Hostage—two weeks after the Governor's deadline for the Legislature to act to fix the system that is so broken it is driving jobs out of our state. The Legislature's inability to make the needed changes in time has fueled a private effort to take the issue directly to the voters. The Workers' Compensation Reform and Accountability Act is collecting signatures now to be placed on the November ballot. It is unfortunate that the Legislature simply cannot act on SBX 4 3 and ABX4 1, which make several needed changes.

The first is a common sense requirement that workers prove their injury occurred at work. Too many of us know first-hand stories of people who have been injured recreationally but who are all too eager to place the blame and burden on their employer. The bills also mandate the use of objective medical findings and the use of nationally recognized guidelines, like the American Medical Association guidelines, for impairment to improve consistency of awards. Also, physicians, rather than attorneys or bureaucrats would be charged with determining whether a worker's disability is permanent.

The bills also seek to make workers' comp work more like the traditional healthcare system. For example, the reforms would make clear that the mandate to "cure and relieve" is based on sound, proven principles of medical necessity. An independent medical review process would be established that reflects common dispute resolution practices in group health. Also, the changes would end "doctor shopping" by allowing an employee to change doctor after 30 days or to pre-designate a doctor with agreement by the employer.

These changes are needed desperately if California is to restore a healthy jobs climate. Currently, our employers pay \$6.33 of every \$100 of payroll vs. the national average of \$2.46. Additionally, workers' comp costs have risen 136% over the last four years, with some companies experiencing premium increases of 300%. The cost for government

entities and school districts has skyrocketed by as much as 55%, leaving taxpayers holding the bill and receiving less in service.

*****Westly Says Angelides Discredited*****

State Controller Steve Westly (D) was the featured speaker at a Capitol breakfast event attended by a member of my staff. Westly started his remarks by talking about his work with Governor Schwarzenegger in passing Propositions 57 and 58. Westly said that State Treasurer Phil Angelides (D), who campaigned against the bonds, was proven wrong in his criticisms because in the aftermath of the bond's passage, Wall Street has raised the state's debt rating a full point.

***** Kudos on State Property Plan*****

Regular readers of Leonard Letter will know that for some time I have been discussing the absurdity of the state's property holdings and the need for the state to divest of some of those properties both to make money now and reduce maintenance costs in the future. A recent legislative report found state-held property in Hawaii and Tahiti, as well as large facilities like the Cow Palace and the L.A. Coliseum. I am pleased that legislation has now been introduced to create the Commission on Asset Review and Divestiture, as I called for weeks ago in the Orange County Register. The Commission will review the comprehensive list of state property, and then recommend to agencies whether state-owned properties are being utilized efficiently. The package of bills also requires the Department of General Services to consider cost efficiency when procuring property and to create a central database where all purchases over \$5,000 must be recorded.

*****Big Court Case Could Lower VLF \$1.3 Billion*****

The Legislative Analyst reports that in September last year, the Fourth District Court of Appeals found against the state in a case concerning whether the cost of fulfilling state mandates for Medically Indigent Adults is currently an unfunded mandate on the counties. The suit was brought by the County of San Diego. The court agreed with San Diego that the program constitutes a reimbursable mandate. The state was ordered to reimburse San Diego \$3.5 million. The state appealed the decision to the California Supreme Court, which denied the petition for review in December; therefore, San Diego has won.

The budget writers knew in 1991 that shifting the cost of many statutory social programs to the counties was a mandate. To pay for this mandate, the final budget deal also put in place new depreciation schedule for calculating the vehicle license fee that resulted in a tax increase for all vehicle owners in California. The counties were given no guarantee, however, that the tax increase would be enough to always cover the mandate so a "poison pill" was inserted to discourage the counties from suing the state. The poison pill language calls for rescinding the 1991 VLF depreciation schedule in favor of a more

taxpayer friendly schedule if the counties ever successfully sued over the issue of funding for Medically Indigent Adults. Now that the suit has occurred, all that needs to happen is for the Director of Finance to notify the Director of DMV and the vehicle license fee, according to the Riverside Press Enterprise, would go down \$1.3 billion for all vehicle owners.

*****Parental Consent Effort*****

A few weeks I wrote about a protest at a northern California school district where parents were fighting for their right to be notified before their children left campuses to receive medical attention. State law currently gives school districts the authority to choose whether to require parental consent or just allow minors to leave school to see doctors without their parents' knowledge. Senator Bill Morrow has introduced S.B. 1221 to require that each school district send a separate notice to parents each school year and return a signed copy indicating the parents are aware of the district's policy.

Unfortunately, the requirement that districts send such a notice becomes a state mandate, which—as you just read above—means the state has to pay for those notices. In this era of budget strictness, even good bills have a difficult challenge. However, awareness of this issue should prompt parents to talk with their local school boards about the policy and work for changes at the local level.

IN THE BOARD ROOM

***** Owner Beware*****

Another lesson learned from last week's Board of Equalization meeting. We had two cases on appeal where the taxpayer before us testified that he did not actually run the business but instead allowed some other party to use his state license. While these were car dealer licenses, from a state taxation point of view this is as bad as a doctor allowing some one to practice medicine in his office while the doctor played golf. Now these taxpayers are before us saying they did not know that the person they trusted with their business would fail to pay the required taxes. Since the business was in their name we had no choice but to rule against them and suggest they go after the person they once trusted to get their money back.

MISCELLANY

*****Training Kids to be Leaders*****

The Capitol Resource Institute is looking for a few good kids who are interested in being our leaders in the future. CRI-- which is dedicated to the principles of traditional families, parental rights, limited government and citizen responsibility-- sponsors City on the Hill, a mock-legislature program to teach high school students about government and leadership. City on the Hill gives young people hands-on experience with politics

provides them the opportunity to meet and interact with professionals who work in politics, law, the media, and other similar occupations. These speakers and other aspects of the program encourage participants “to develop an idea about how they can personally make an impact on society,” according to CRI. As with any summer youth program, there is fun built in, too—new friends, a talent show, bowling night, games, and the like. This year's City on the Hill will be held June 22-27 at U.C. Davis. If you know of a young person between the ages of 14-18 who would like to attend City on the Hill, have them contact Karen England at kengland@capitolresource.org or 916-498-1940. Need-based scholarships are available.

BOE AND LEGISLATIVE DATES

March 23 and 24 --- Board of Equalization meets in Sacramento

April 1, 2004 --- Legislature’s spring (formerly Easter) recess begins upon adjournment

April 12, 2004 --- Legislature reconvenes

April 13, 2004 --- Board of Equalization meets in Sacramento

April 15, 2004 --- Last day for policy committees to hear and report fiscal bills

May 7, 2004 --- Last day for policy committees to hear and report non-fiscal bills

NOTABLE DATES/ HISTORY

March 15, 44 BC --- Roman Emperor Julius Caesar is assassinated, quoted as saying, "Et tu, Bruté?" which was a surprise since Brutus was his seatmate on the Senate Floor.

March 15, 1913 --- President Woodrow Wilson holds first presidential press conference, fielding questions from reporters.

March 16, 1827 --- First U.S. black newspaper, "Freedom's Journal" (New York NY), begins publishing

March 16, 1930 --- USS Constitution (Old Ironsides) floated out to become a national shrine. My Mom was one of the millions who sent in pennies to finance the refurbishing of the ship.

March 17, 0432 --- St. Patrick, patron saint of Ireland, died

March 18, 1949 --- NATO (North Atlantic Treaty Organization) ratified

March 18, 1963 --- Supreme Court's Miranda Decision: defendants must have lawyers and be read their rights

March 19, 1628 --- Massachusetts colony founded by Englishmen

March 19, 1918 --- Congress authorizes time zones & approves daylight saving time

March 20, 1816 --- U.S. Supreme Court affirms its right to review state court decision in MARTIN, Heir at law and devisee of FAIRFAX, v. HUNTER'S Lessee

March 21, 1963 --- The last prisoner is transferred out of the Alcatraz federal prison in San Francisco Bay

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office, call toll-free 1-888-324-2798.

HOW TO CONTACT ME

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